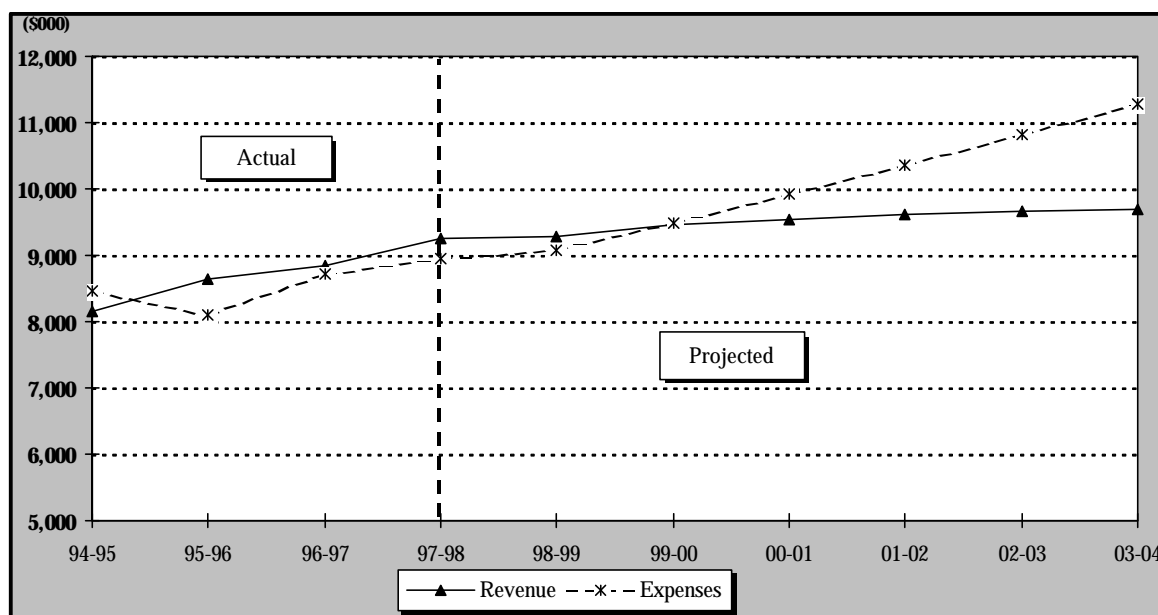




Sanitation Fund: Projected Revenue and Expenses



	94/95	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Revenue (\$000)										
Charges for Services	8,039	8,457	8,493	8,822	8,943	9,097	9,193	9,273	9,353	9,433
Sludge Disposal	0	27	143	218	220	223	225	227	228	230
Interest Income	80	109	95	118	116	133	131	113	76	18
Other Revenue Sources	39	38	107	101	0	0	0	0	0	0
Total Revenue	8,158	8,631	8,838	9,259	9,279	9,453	9,550	9,612	9,657	9,681
Expenses (\$000)										
Personal Services	2,350	2,534	2,589	2,596	2,678	2,864	3,038	3,214	3,401	3,599
Materials and Supplies	312	263	166	203	245	255	267	279	291	304
Fees and Services	3,015	2,711	2,877	2,905	2,893	3,016	3,152	3,294	3,442	3,597
Depreciation	906	741	890	897	900	900	900	900	900	900
Debt Service Interest	3	0	0	0	0	0	0	0	0	0
Loan Repayment-Interest Only	58	53	48	42	36	30	23	16	8	0
Internal Service Charges	1,260	1,310	1,587	1,529	1,773	1,848	1,932	2,018	2,109	2,204
Indirect Cost Allocations	556	498	571	769	556	579	605	633	661	691
Total Expenses	8,460	8,111	8,728	8,941	9,080	9,493	9,917	10,353	10,813	11,295
Net Operating Surplus/(Deficit)	(302)	520	111	318	199	(40)	(367)	(741)	(1,156)	(1,613)

Latest rate increase: 3% increase for residential customers effective March 1998.



Fund Structure

Description

The Sanitation Fund is a self-supporting enterprise fund intended to recover all operating, maintenance, and debt service costs to provide residential, commercial, recycling and roll-off solid waste services.

Major Services

This enterprise fund provides for:

- Residential Collection
- Commercial Collection
- Recycling Collection
- Roll-Off Collection

Revenue Structure

Revenue in the Sanitation Fund derives almost exclusively from user fees for residential, recycling, commercial, roll-off, and uncontained solid waste service. These revenues are supplemented by a small amount of interest revenue. The collection and disposal of contained refuse represents the City's second largest enterprise operation.

■ Residential Solid Waste User Fees

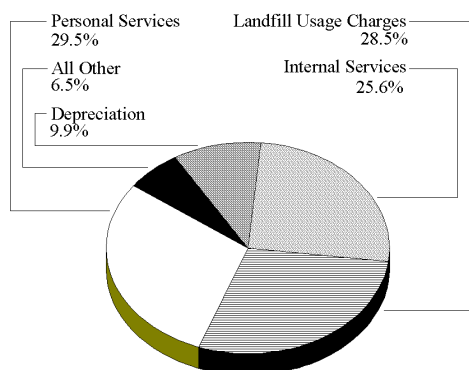
Residential solid waste user fee revenues are expected to amount to \$4.8 million or 51.7% of the total revenues for this fund. Residential customers pay \$11.75 per month, which represents a 3% increase approved by the Council effective in March 1998.

■ Commercial Solid Waste User Fees

Commercial solid waste fees generate \$3.1 million or 33.4% of the total fund revenues in FY 1998-99. Collection of commercial solid waste is provided by the City or a licensed collector. The number of active commercial accounts total 1,812. The number of commercial accounts is expected to remain steady and could decline as competition for commercial refuse services increases.

Expenditure Structure

Sanitation estimated expenses for FY 1998-99 total \$9.1 million. Of the total operating expenses, Personal Services, Internal Services and Landfill Usage Charges comprise 83.6%. Depreciation accounts for 9.9%, while the remaining 6.5% is for Materials and Supplies, Utilities, and miscellaneous Fees and Services.



■ Personal Services

As with many labor intensive operations, Personal Services represent a major expense in the Sanitation Fund, accounting for \$2.7 million or 29.5% of the \$9.1 million FY 1998-99 budget. Salaries account for 81.3% of the total personal services budget, with health insurance accounting for 8.4% and the remainder for other fringe benefits.

■ Landfill Usage Charges

Landfill usage charges represent 28.5% or \$2.6 million of total FY 1998-99 expenses. Increases in landfill tipping fees are projected to follow expected inflation rates, but environmental compliance requirements could impact these expenses beyond normal inflation.

■ Internal Services

Internal Service charges represent 25.6% or \$2.4 million of the total FY 1998-99 budget. Internal Service charges consist of data processing, communications, vehicle maintenance and other related charges. As might be expected in sanitation operations, a majority (61.2%) of the total internal service costs derive from vehicle operating and maintenance expenses.

■ Depreciation/All Other

The FY 1998-99 Sanitation budget reflects depreciation expense of \$900,000, primarily related to sanitation vehicles. Other budgeted expenses include sludge disposal fees (\$125,000) and recycling sorting fees (\$112,866).

Summary

The Sanitation Fund budget of \$9.1 million for FY 1998-99 represents a \$139,000 (1.6%) increase from actual FY 1997-98 expenses. The increase is due primarily to adjustments for inflation (salary market adjustments and general inflation).

Revenues in this fund are expected to increase to \$9.3 million in FY 1998-99, a 0.2% increase over actual FY 1997-98 collections. Much of the increase is due to a residential rate increase implemented in January 1998.

Trend/Forecast

With the FY 1994-95 shortfall in this fund, sanitation rates were modified to fully recover the cost of the sanitation operation and replacement obligations. Although a 3% residential rate increase was implemented in



March 1998, shortfalls are still projected over the course of the forecast period, assuming no further rate increases are enacted. Unexpected increases in landfill usage charges, recycling costs, and inflation could worsen projected shortfalls in this fund beyond our estimates.

Sanitation rates will be subject to annual rate reviews to ensure that the fund remains fully self-sufficient and to smooth the effect of potential rate adjustments on the City's residential and commercial customers.

Unreserved Retained Earnings

There is a \$1,979,294 fund balance in the Sanitation Fund, providing 21.8% coverage to estimated FY 1998-99 expenses of \$9.1 million. Unreserved retained earnings in this fund may be depleted by FY 2002-03 without an increase in rates. With environmental mandates always present, this enterprise operation will require as much financial flexibility as possible for contingent compliance driven costs.

FYE	Unreserved Retained Earnings
89	\$1,372,012
90	819,055
91	1,108,211
92	1,390,637
93	1,672,646
94	1,442,692
95	1,542,782
96	1,135,131
97	1,623,386
98	1,979,294
99 est.	2,030,312